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ABSTRACT

School systems must be able to attract high quality teachers and, if necessary, to attract them across state boundaries. Pension portability, which allows workers to change jobs and retirement systems without losing retirement benefits, is essential to accommodate an increasingly mobile work force. This paper reviews the National Governors' Association's involvement in the issue of pension portability; provides background information, including data on teacher mobility; discusses the characteristics of teacher pensions in the 50 states; and describes options to improve teacher mobility, such as the Canadian Reciprocity Agreement (CRA). Appendices provide data on the characteristics of state retirement systems, a comparison by state of retirement service credit option purchases and stipulations, a set of tables showing projected transfers based on the CRA, and sample portions of the CRA. (LMI)

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Pension Portability for Educators: A Plan for the Future

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Pension Portability for Educators: A Plan for the Future

by
Jean G. McDonald

RESULTS IN EDUCATION

Center for Policy Research
National Governors' Association

The National Governors' Association, founded in 1908 as the National Governors' Conference, is the instrument through which the nation's Governors collectively influence the development and implementation of national policy and apply creative leadership to state issues. The association's members are the Governors of the fifty states, the commonwealths of Puerto Rico and the Northern Mariana Islands, and the territories of the Virgin Islands, Guam, and American Samoa. The association has seven standing committees on major issues: Agriculture and Rural Development; Economic Development and Technological Innovation; Energy and Environment; Human Resources; International Trade and Foreign Relations; Justice and Public Safety; and Transportation, Commerce, and Communications. Subcommittees and task forces that focus on principal concerns of the Governors operate within this framework.

The National Governors' Association Center for Policy Research is the research and development arm of NGA. The center is a vehicle for sharing knowledge about innovative state activities, exploring the impact of federal initiatives on state government, and providing technical assistance to states. The center works in a number of policy fields, including environment, health, training, education, and information management as well as economic development, trade, and agriculture.

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Introduction

Quality education is critical to our nation's future economic success and our ability to compete in international markets. Today, leaders across the nation realize that continued competitiveness, economic growth, and living standards rely on a sound educational system and major investments in human capital. Because teachers are the main ingredient in a quality education system, school systems must have the ability to attract high calibre individuals to the teaching profession and, if necessary, to attract them across state boundaries.

Pension portability, which allows workers to change jobs and retirement systems without losing retirement benefits, is essential to accommodate the economic requirements of an increasingly mobile workforce. Creating pension portability is of vital importance to a labor market that must respond to the forces of supply and demand. While it is desirable to extend pension portability to all American workers, state officials now have the opportunity to examine options to strengthen pension portability for one critical group of employees – public school teachers.

Numerous forces combine to make interstate pension portability and the mobility of educators particularly critical issues. During the next decade, higher student enrollments and teacher retirements will mean new hiring in most states. Because supply and demand for teachers vary among the states, local school districts will be forced to recruit in other states. In addition, new initiatives to improve the quality of the teacher workforce and the working conditions in schools may alter the recruitment and selection process dramatically as schools compete for the best candidates.

States are developing and implementing comprehensive policy packages to upgrade teacher quality. They include, among other things, increased salaries, better teacher preparation, systematic induction periods and teacher evaluations, new teacher roles and responsibilities, and professional development programs. But even with such incentives, teachers may leave teaching for other jobs if they are unable to transfer retirement benefits. Pension portability is a mechanism that enables districts to compete with one another for the best teachers by removing a barrier to a teacher's ability to move. Pension portability alone will not overcome all of the difficulties related to improving the teacher corps. However, once it becomes part of the package to enhance teacher professionalism, schools will improve their ability to attract and retain quality teachers.

This paper addresses pension portability and its role in attracting and retaining quality teachers for a competitive education system. Although few have addressed this issue, Governors have recognized its importance. The paper reviews

the National Governors' Association's involvement in the issue and presents background information, including data on teacher mobility. It also discusses the characteristics of teacher pensions in the fifty states. Finally, this document describes options that states may consider, individually and collectively, to improve teacher mobility.

NGA, Education Reform, and the Issue of Pension Portability

Recent action by the National Governors' Association on education reform issues reflects the Governors' concerns about pension portability for educators. In *Time for Results: The Governors' 1991 Report on Education*,[1] two of the seven task forces addressed the issue of pension portability. The Task Force on Teaching advocated pension portability as a means to overcome market forces that hinder the proper functioning of supply and demand and that obstruct a free labor market for teachers. The report stated that pension portability can improve teacher mobility and can help to overcome this problem.

The Task Force on Parent Involvement and Choice urged policymakers to consider ways to allow educators to have more job choices by addressing such issues as the portability of pensions. The group stated that:

> Education is one of the few careers in which people are penalized for moving from one place to another. A teacher moving from one district to another often does not receive full credit for years of experience on the salary schedule or in the pension program. States will need to address such problems... We will need to collectively review reciprocity agreements, or take other steps to recognize the work an educator has done elsewhere.

At NGA's 1986 annual meeting, the Governors endorsed a report by the Carnegie Forum on Education and the Economy's Task Force on Teaching as a Profession, titled *A Nation Prepared: Teachers for the 21st Century*.[2] This report recommended that states and districts take action to "eliminate the obstacles to career mobility for teachers." It noted that the current retirement structure, which penalizes teachers who move from one retirement system to another, is one of the barriers to a free labor market for teachers. "If professional environments for teaching are adopted on a wide scale throughout the country, they will create a new set of incentives for teacher relocation," the report stated. These incentives should not be hindered by the lack of pension portability.

Recommendations of NGA's *Jobs, Growth, and Competitiveness* Report

The recommendations of *Time for Results* were expanded in the National Governors' Association's 1987 report *Jobs, Growth, and Competitiveness*.[3] The report, which focused on American workers in general, recommended policies to increase productivity and efficiency in the workplace. The new American workforce will require "workers, supervisors, and managers who are prepared for changes that may require them to move from task to task, job to job, company to company, and career to career – not just once or twice but many times during their working lives." Recognizing the need for a more flexible workforce, the report advocated the removal of barriers that restrict the mobility of workers, such as the lack of portable pensions and health plans.

Also, the Governors advised state and federal policymakers to consider a coordinated analysis of pension portability issues. Such studies would need to recognize the diversity of current pension practices and retirement systems in both the public and private sectors. In the case of public retirement systems, attention would also have to be given to the issue of federal preemption of state authority. The states can provide leadership and avoid preemption by addressing pension portability systematically for specific segments of the public workforce. Given the recommendations of *Time for Results* and the imperative to have experienced, well-trained teachers in the classrooms, the first manageable group of public employees to be considered may be teachers.

Characteristics of the General Workforce

Most employees have several jobs, and even several careers, over their lifetimes. In fact, a 1982 study based on U.S. Census data concluded that a majority of employees hold ten or eleven jobs during their years of employment.[4] And according to the Employee Benefit Research Institute, "By age twenty-four, the average worker will have held four jobs out of an eventual ten. The next fifteen years will contribute another four jobs. Few additional jobs will be held between age forty and retirement."[5] Yet most public and private pension plans are designed primarily to reward employees for years of continuous service. Workers who change jobs may be penalized by a loss of pension benefits since most pensions are not fully portable from one employer or retirement system to another. The realities of the current economy and workforce make it obvious that American employers must move toward providing portable retirement benefits.

Employees who change jobs or careers most often are making intentional choices about their careers – although the decision may be made for them if their

plant or business shuts down. (According to the Bureau of Labor Statistics, approximately 11.5 million American workers were displaced between 1974 and 1987 because of plant closings, layoffs, or automation.) The reduction in pension benefits that results from such intentional moves is of secondary concern to an employee who is progressing on a career path. But an employee nearing retirement will find the loss of pension benefits a more important factor when considering a change in jobs, and may opt to stay on a job to retain these benefits.

Even though pensions may not always figure in an employee's decision to change jobs, this does not mean that pensions are of little concern to workers. In fact, a recent survey by The Conference Board shows that American workers in general are not satisfied with their pension plans. While other benefits – such as vacation policies, sick leave, and health plans – were viewed positively by most employees, pension plans received a low rating.[6]

As noted earlier, pension plans are not designed to benefit employees who change jobs or careers. The most common retirement plan for public employers and many private employers is the defined benefit plan. Such a plan typically bases retirement benefits on a formula: years of service times final average pay times a percentage factor of 1 percent to 2.5 percent. As a result, these plans have a built-in incentive to hold employees to a lifelong employer. One economist estimates that a vested employee who moves twice after age thirty will receive 57 percent of the pension of the stable employee, all other things being equal. Such a system, which discriminates against employees who either choose or are forced to change employers and careers throughout their lives, is hardly equitable, because, as public pension expert Bernard Jump states, "Pensions are not gratuities any more than salaries are and they should not be diminished because an employee changes jobs."[7]

In contrast, under a defined contribution plan the employer contributes to a retirement account designated for the employee; the account is invested and assets may be transferred to another employer when the employee changes jobs. As long as the assets remain invested until retirement and are not "cashed out" by the employee, the employee should not suffer a loss in retirement benefits because of one or more changes in jobs.

Table 1 shows the estimated reduction in retirement income for an employee who changes jobs once compared with the employee who remains with one employer. (Additional job changes might lead to an even greater reduction in pension benefits.) This data strongly suggests that benefits are most likely to be adversely affected for an employee who changes jobs after long-term enrollment in a retirement system – ten to twenty-five years.

The Congressional Budget Office (CBO) also has estimated the difference in pension benefits for employees who have changed jobs and for non-mobile employees under defined benefit plans. In Table 2, employee A does not receive benefits from his or her first employer because the employer has a ten-year vesting period and he or she has worked only nine years.

The CBO calculations show that, within a defined benefit framework, employee B who changes jobs in mid-stream, is in a worse position than employee A, who changes jobs earlier in his or her career but prior to vesting. Employee B's final pension is worth 68 percent of that of employee C, given a 3 percent inflation rate. With a 6 percent inflation rate, it is worth only 60 percent of employee C's pension. This table identifies two problems: that of the employee who loses retirement benefits because of leaving a job – whether public or private – prior to vesting and that of the vested employee who leaves a job and suffers significant erosion in benefits because of inflation.

TABLE 1: Projected Loss of Retirement Income Attributable to Dividing a 35-Year Career Between Two Employers

Years of Service with Employer		Initial Pension Received from Membership in Two Pension Plans as a Percentage of Initial Pension Received for Membership in a Single Pension Plan
A	B	
0	35	100%
5	30	89
10	25	80
15	20	73
20	15	70
25	10	72
30	5	81
35	0	100

NOTE: This data assumes that plans A and B have identical benefit structures, that full vesting occurs in five years, and that salary grows 5 percent annually.

SOURCE: Bernard Jump Jr., "Teacher Mobility and Pension Portability," Task Force on Teaching as a Profession, Carnegie Forum on Education and the Economy, May 1986, p. 9.

Federal Tools for Pensions and Pension Portability

Currently, the one retirement system in the United States that is fully portable is the federal Social Security system. Beyond Social Security, the federal government's involvement with pension plans has been either through tax legislation or, more recently, through the Employee Retirement Income Security Act

TABLE 2: Effect of Length of Service on Defined Benefit Pensions

	Length of Service (in years)		Pension (in $)			Replacement Rate on Final Five-Year Salary Average (percent)
	First Job	Second Job	First Job	Second Job	Total	
3 Percent Inflation Rate						
Employee A	9	31	0	$86,000	$86,000	46.5%
Employee B	20	20	$20,500	55,500	76,000	41.1
Employee C	40	0	111,000	0	111,000	60.0
B's Final Five-Year Salary Average at Age 42				$68,200		
B's Final Five-Year Salary Average at Age 62				$184,900		
6 Percent Inflation Rate						
Employee A	9	31	0	$249,600	$249,600	46.5
Employee B	20	20	$33,500	161,000	194,500	36.2
Employee C	40	0	322,100	0	322,100	60.0
B's Final Five-Year Salary Average at Age 42				$111,700		
B's Final Five-Year Salary Average at Age 62				$536,800		

NOTE: The computations assume that all three employees earn the same salary and that each of their employers has the same pension plan and pay scale. Data is based on a starting salary of $20,000 at age 20, with annual increases for inflation, productivity gain of 1 percent, and merit increases falling from 5 percent at age 21 to almost zero at age 61. The pension plan pays 1.5 percent per year of service on an average of the last five years of service.

SOURCE: Congressional Budget Office, *Tax Policy for Pensions and Other Retirement Savings 1987*, p. 35, Table 6.

(ERISA) of 1974 (P.L. 93-406). The primary function of ERISA is to regulate private pension plans by setting standards for employee coverage, assuring that employers set aside funds to meet future benefits and manage pension funds in a responsible way.[8] ERISA also protects pensioners from inequitable rules and requires pension plans to meet requirements for disclosure. The Pension Benefit Guaranty Corporation was established under ERISA to insure pensioners against loss of retirement benefits when a pension plan is terminated after an employer declares bankruptcy or cuts its workforce substantially.

ERISA and the Internal Revenue code also contain mechanisms to allow individuals to establish qualified pension plans and retirement accounts either with the employer's assistance or individually.[9] Examples include tax-sheltered annuities and 401(k) plans. The latter allow employees to defer tax payment on voluntary savings until the savings are cashed out. If companies contribute a matching amount to the 401(k) plans of employees, these also are tax-deferred. Individual retirement accounts (IRAs) are tax-deductible retirement savings of up to $2,000 per year ($4,000 for a working couple) for workers whose employers do not have pension plans. Keogh plans allow self-employed individuals to establish pension protection.

ERISA addresses pension portability through its requirements for vesting (the number of years after which employees have a nonforfeitable right to their pensions). ERISA requires private pension plans to adopt ten-year vesting period. The Tax Reform Act of 1986 further lowered the vesting period by mandating a five-year vesting period for private pension plans by 1989.

Congress is currently considering several proposals to improve pension coverage for employees who change jobs. One of these measures has been introduced many times over the years – the Mobile Teachers Retirement Assistance Act. This proposal would supplement state funds to allow relocating teachers to buy up to ten years of retirement service credits in a new state retirement system for past teaching experience in another state. Participating states would be required to adopt a five-year vesting period. Other proposals are aimed at the workforce in general. One would establish Retirement USA accounts; another would require or encourage employees to roll over pension benefits that are cashed out at the close of short-term employment to retirement plans or accounts. A national clearinghouse for pensions has been suggested as another option to establish adequate pension coverage for mobile employees.

Current Characteristics of State Retirement Systems

All public school teachers are covered by public pension plans: twenty-two state retirement systems are separate plans that cover teachers only; six cover all public school employees; and the remaining twenty-two state retirement systems are consolidated plans covering all state employees, including teachers. Four state teacher retirement plans have more than one tier or plan for teachers, differentiating new teachers from teachers hired under a previous plan's stipulations.[10]

Using information collected in 1986 by the Wisconsin Retirement Research Committee, Appendix A outlines several features of state retirement systems. It does not include information about every state retirement system. For example, in Illinois, Michigan, Minnesota, Montana, North Carolina, and Texas, local retirement systems are administered by the state but are not shown in the appendix.

The appendix describes the type of employees covered by the state system and the extent of participation in the Social Security system. Twelve states do not offer Social Security participation to teachers. In five of these – California, Connecticut, Illinois, Kentucky, and Missouri – teachers do not participate in Social Security but other state employees do. Seven states do not offer Social Security coverage to any state employees; three of these – Colorado, Maine, and Nevada – have comprehensive retirement systems. The remainder – Alaska, Louisiana, Massachusetts, and Ohio – have separate systems for teachers and other state employees.

Appendix A also includes additional information about state retirement systems, including actuarial contribution rates of employees and employers, vesting periods, and benefit formulas. State retirement systems are financed by the contributions of employees and employers as well as earnings from investments. Pension investments are substantial: in 1985 the California teachers retirement system had assets of $12.8 billion and the various New York state retirement systems had assets of $13 billion.[11] Vesting periods range from immediate vesting in Wisconsin to ten-year vesting periods in twenty-five states.

Mobility of Educators

Educators are more mobile than other public employees such as firemen and policemen. And they comprise a substantial segment of the public sector: 2.2 million public school teachers were employed in the 1985-86 school year out of a total of 10.5 million full-time state and local employees.

Of fifteen states surveyed by NGA, six states were able to provide information on the number of teachers hired in a given year who had previously taught in another state. (Three of the states performed special computer runs in order to provide this information.) It is difficult to collect information on teacher mobility; apparently, most states do not keep these statistics and when they do, the data may be incomplete or not comparable with other states. For example, Illinois' figures exclude the Chicago school district. Clearly, this is another example of the need for better educational statistics. Nonetheless, the information in Table 3 shows that the number of experienced teachers moving into a state is large enough to be of concern but manageable enough for a retirement system to attempt to accommodate mobile teachers.

Personnel from two districts involved in recruiting outside their states said that potential recruits are not concerned about the loss of pension benefits due

TABLE 3: New Hires with Out-of-State Teaching Experience as a Proportion of Total New Hires 1986-87

	Total No. of Classroom Teachers 1986-87[a]	Total New Hires	New Hires with Out-of-State Experience	Percentage of New Hires with Out-of-State Experience
Colorado	31,168	2,502	634	26
Connecticut	34,470	2,806	b	10[b]
Illinois	101,749	5,919[c]	1,040[c]	18[c]
Maine	13,512	1,688	280	22
New York	176,000	19,829[d]	916[d]	5[d]
Oregon	24,912	2,131	194	9

NOTES: [a] All estimates of total classroom teachers per state are taken from Research Division, National Education Association, "Estimates of School Statistics 1987-88," Table 6, p.36.

[b] Connecticut does not maintain statistics on new teachers hired who have teaching experience out of state. However, a survey conducted by the department of education for the 1986-87 school year found that 213 (10%) of the 2,180 respondents were in this category. Seventy percent of new teachers in Connecticut completed the survey.

[c] Illinois statistics on new hires do not include data for the Chicago school district.

[d] New York statistics are for 1985.

SOURCE: State education departments, fall 1987.

to a move. The Los Angeles Unified School District and Dade County, Florida, both conduct substantial recruitment campaigns, including out-of-state recruiting. Staff estimated that 1,300 and 2,000 teachers must be recruited for these districts, respectively, each year. The Los Angeles district makes an effort to recruit outside California, targeting its efforts to educators with a few years of teaching experience. In both districts, recruiters reportedly hear little discussion of pension issues, even though incoming experienced teachers cannot buy into the states' teacher retirement systems. Portability of certification is a more immediate problem to experienced recruits, according to district personnel. No age breakdown of these recruits is available.

State Tools to Accommodate Mobile Educators

Retirement Service Credits. Credited service is the employment period that is counted toward a pension by a state retirement system. Thirty-eight states currently allow experienced professional educators moving into the state to purchase retirement credits for public teaching service outside the state. Most states also allow employees to purchase credits for military service, in some instances at no cost to the employee. Retirement credits may be purchased for other jobs or experience as well – such as educational leave, college and university teaching (other than graduate assistantships), federal employment, other state and local employment, and employment in private schools. Purchase of retirement service credits prevents a loss of benefits for teachers and other employees in the public sector who have changed jobs.

However, current retirement credit purchase provisions are complex and expensive. Appendix B depicts the stipulations mobile educators must meet when they seek to use past teaching experience to buy in to their new states' retirement plans. In many states the price of the credits is high because employees must often pay both the employee's and employer's share for each year purchased, sometimes including interest. Employees are limited in the number of years of credited out-of-state service that they may purchase, and the return on service credit purchases may take several years. For example, the application form for the Virginia Supplemental Retirement System Benefit Program states: "You will recover your cost for purchasing this type of service credit about ten years after you retire." Purchase of service credits may also be costly to the importing state as liability is transferred to that state. Also, in many states employees who buy retirement credits must give up their right to a pension in the state from which they moved. Some major state retirement systems, including those in California, Florida, and New York, do not allow educators with out-of-state teaching experience to purchase service credits. And others, such as New York and North

Carolina, allowed buy-ins at one time but have since revoked purchase provisions.

Vesting. States have been moving toward shorter vesting periods. At this time, the vesting period for teachers in nineteen states is five years; in three states it is four years; and in Wisconsin, state employees, including teachers, have the right to full and immediate vesting. Twenty-five additional states require ten years of eligible service for vesting; one requires eight years of employment. Some states, such as Utah, require a combination of age and years of service before an employee is vested. Employees who leave a job prior to achieving vesting are entitled only to their own and not their employers' contributions to the retirement plan.

Issues that Must Be Addressed to Achieve Portability

Several obstacles stand in the way of pension portability for educators and other public employees including:

- The characteristics and benefits of state teacher retirement systems vary.
- State retirement systems operate defined benefit plans.
- State retirement systems' governance structures are complex, economically strong, and highly independent.
- State retirement systems perceive their "charter" as primarily being responsible to employees who spend their careers within the system.

Factors Favoring Pension Portability

It is generally recognized that state retirement systems have recently achieved a healthier status, so they are in a better position to take action on the portability issue. States have taken several steps to reform and strengthen their public pension systems. Benefit increases have been limited and higher contribution rates have been adopted.[12] About one-half of the states have established pension commissions to monitor public pension systems and to suggest necessary changes. Reporting and disclosure standards also have improved.

Another factor that favors pension reform to achieve portability is the position of national organizations in support of pension portability generally or for educators specifically. The National Governors' Association, the American Association of School Administrators, the National Education Association, the American Federation of Teachers, the American Association of Retired Persons,

and the Parent Teacher Association all have positions supporting pension portability.

The Committee on Pensions of the National Conference of State Legislatures is to be commended for its efforts on behalf of pension portability. The committee in 1985 issued a publication, "Public Pensions: A Legislator's Guide," that sets forth guiding principles of pension policy.[13] One is the "fairness" principle – that is, pension benefits "should be equitably allocated among beneficiaries" – and groups of employees, such as short-term or lower paid workers, should not be discriminated against. The committee suggests eliminating lengthy vesting periods and advocates within-state portability to achieve equity for public pensioners. Finally, acknowledging the crucial importance of the pension portability issue, the committee urges states to "explore cooperative measures to allow interstate portability." The work of the Committee on Pensions is compatible with NGA's charter to address the issue of pension portability.

Options to Improve Pension Portability

States have several options in their efforts to achieve a more portable pension system for teachers, but it may be possible to look toward a national solution, rather than a federal law. In short, the designers of state pension plans can also design plans that are portable.

Vesting. States can move either to shorter vesting periods or to full and immediate vesting. Once a teacher is vested, he or she has a right to a pension at retirement from a state retirement system, even though he or she moves out of state. Over the years, state retirement systems have adopted briefer vesting periods. A recommendation to states to shorten their vesting periods would not be out of line with current trends, even though one-half of the states still require ten years of employment before a teacher can be vested. As noted earlier, the Tax Reform Act of 1986 requires the pension plans of private employers to move to a five-year vesting period by 1989. This action may influence public employers at the state and local levels to reduce vesting periods in order to stay competitive with the private sector.

Simplifying Retirement Service Credit Purchases. Currently, each of the thirty-eight states that allow teachers to purchase retirement service credits for out-of-state teaching experience has its own unique set of requirements for such purchases. It is often cumbersome and costly for a mobile educator to meet the many stipulations that accompany credit purchase. One recommendation is for states to simplify their requirements for credit purchase. Appendix B shows that some states have requirements that make it easier for teachers to buy in. For ex-

ample, a few states set no limit on the number of years for which a teacher may purchase teaching experience. Thus, a teacher who moves from Virginia with fifteen years of teaching experience can purchase fifteen years of credit in Maine's retirement system. While teachers in most states must teach within the state for a specified number of years before buying credits, a teacher in New Jersey may begin to buy credits immediately and through monthly payments, rather than paying the lump sum required in most states. In Connecticut and New Jersey, incoming teachers pay only one-half of the cost of the buy-in. (In most states, the entire cost of the purchase falls on the employee.) States may want to consider simplifying their buy-in provisions to improve pension portability.

Interstate Agreements for Transfer of Assets. Another recommendation to states to achieve pension portability for teachers is to become a party to an interstate agreement to transfer the assets of one state retirement system to another when a teacher moves to that state. (Canada's provinces have such a system.) The exporting state would calculate the contribution to its retirement system of the teacher and the employer. The importing state would calculate the amount that would be required under its provisions for the same period at the same salary. The lower amount of money would be transferred and teachers could be required to make up the difference in cases of inequity. Appendix C contains a table showing amounts that would be transferred in twelve hypothetical cases.

Full Portability of Past Service Credits (Reciprocity). Interstate agreement also would be necessary to achieve the option of crediting past service. States party to the agreement would grant mobile educators retirement service credit for past teaching experience in other party states and the teacher would forfeit all rights to previous pensions. No funds would be transferred. This plan would be most effective for states that have a balance of imported and exported teachers.

Defined Contribution (Money Purchase) Plans. Additional developments in pension systems could further simplify pension portability. There is currently a trend in the private sector toward adopting defined contribution or money purchase plans.[14] As noted earlier, defined contribution plans place the amounts contributed by the employee and employer in a fund dedicated to the employee. The fund is invested, and the employee, rather than the employer, bears the risk of the investment. If the investment yields good dividends, the employee may benefit, but if the fund is invested in low yield stocks and bonds, the employee may end up with a lower pension.

Such defined contribution plans are beneficial to employees who change jobs because they are portable and can be readily transferred from one retirement system to another. State colleges and universities often provide TIAA-CREF par-

ticipation to faculty and sometimes to other staff, allowing them to move out of state without a loss to their pension plans. The International City Managers Association (ICMA) offers a defined contribution plan to its members, who, like school superintendents, are a highly mobile group. The national organization for school administrators might do well to study the ICMA pension plan and consider adopting it for their constituents. While it is unlikely that state retirement systems will adopt defined contribution plans on a wide scale due to the risk borne by the employee, states may want to consider providing a menu of benefit options to pensioners and offering them the option of a defined contribution plan.

The Canadian Reciprocity Agreement

The Canadian system has provided a model for action on pension portability for teachers since 1978, when the provinces entered into a reciprocal pension agreement. All provinces except British Columbia are parties to the agreement, which allows the retirement benefits of educators to be transferred from one province to another.

The Canadian system operates as follows: after working a year in the province to which he or she has moved, the mobile educator can apply to transfer his or her pension from the exporting to the importing province. The exporting province calculates the assets that have been accrued, based on the educator's contribution, the employer's contribution, and interest earned. The importing province figures the amount it requires, based on its contribution formula, as applied to the educator's salary in the exporting province. The smaller amount is transferred to the importing province. Any deficit between the amount required and the amount transferred must be paid by the mobile educator. The importing province accepts liability for the mobile teacher's pension.

Provinces importing more teachers than they export may suffer financially, and this is a reason offered by British Columbia for its nonparticipation in the agreement. A proposal was advanced to calculate the amount to be transferred based on actuarial rather than real calculations, but it has not met with success. The present agreement has the wholehearted support of the Canadian Teachers' Federation. Portions of the agreement are included in Appendix D.

Conclusion

The issue of pension portability is attaining new and broader visibility as the American workforce becomes increasingly mobile. Workforce mobility itself has become essential to states' economies pressed to be competitive in world

markets. Both as employers and as advocates of economic growth, states are in a pivotal position to begin to address the issue of pension portability.

States have an opportunity to modify pension systems for one group of public pensioners – educators – and to act before the national government requires them to do so. As the controlling voice in most teacher pension systems, states are uniquely able to alter and improve pension portability. States have a range of available options to improve pension benefits for teachers who move. It is important to begin this effort now because American schools need quality, experienced teachers who can meet the challenge of educating an increasingly diverse group of students for tomorrow's jobs. Also, shifting populations, increasing community expectations, and the current press for state-led educational restructuring give heightened attention to mobility as an important factor in teacher workforce considerations. States and districts must be able to recruit the best possible professionals for their teaching corps; public pensions systems should not serve as barriers to these recruitment efforts.

APPENDIX A: Characteristics of State Retirement Systems

State	Empl. Cov.[a]	Soc. Sec.	Employee Contrib.	Employer Contrib.	Vesting Period	Final Avg. Salary Period	Benefit Formula
AL	S,L	Yes	5%[c]	6.55%-5.01%	10 yrs	3 H/10	2.0125% x yrs x FAS
AL	T	Yes	5%[c]	7.5%	same	same	same
AK	S,L	No	4.25%	13.84%	5 yrs	3 HC	2% x yrs x FAS
AK	T	No	7%	16.68%	8 yrs	3 H	same
AZ	S,L,T	Yes	5.53%	5.53%	5 yrs	3 HC/10	2% x yrs x FAS
AR	S,L	Yes	Non-Contrib.	11.4% Avg	10 yrs	5 HC/10	(1.625% x yr x FAS)-partial PIA
AR	T	Yes	Non-Contrib.	13.86%	same	5 H	1% x yrs x FAS
CA	S,L	Yes	Non-Contrib.	?	10 yrs	3 H	1.25% x yrs x FAS (at 65)
CA	T	No	8%	17.64%	5 yrs	3 HC	2% x yrs x FAS
CO	S,L,T	No	8%[c]	12.2% - 10.2%	5 yrs	3 H w/cap	2.5% x 20 yrs + 13 x added yrs
CT	S	Yes	Non-Contrib.	?	10 yrs	3 H w/cap	1.33% x yrs x FAS + 0.5% x 13,500+
CT	T	No	6%	18%	same	3 H	2% x yrs x FAS
DE	S,T	Yes	3%-5% (Split)	12.74%	10 yrs	5 H	1.67% x yrs x FAS
FL	S,L,T	Yes	Non-Contrib.	12.24%	10 yrs	5 H	1.68% x yrs x FAS (at 65)
GA	S	Yes	3%-5% (Split)[c]	11.75%	10 yrs	2 HC w/cap	1.5% x yrs x FAS
GA	T	Yes	6%	13.23%-12.71%	same	same	2% x yrs x FAS
HI	S,L,T	Yes	7.8%	23.68%	5 yrs	3 H	2% x yrs x FAS
ID	S,L,T	Yes	5.34%[c]	8.89%	5 yrs	5 HC	1.67% x yrs x FAS
IL	S	Yes	4%[c]	5.8% + Supp.	8 yrs	4 HC	1% x 1st 10 yr to 1.5% x yr over 30
IL	T	No	8%	10.3%	5 yrs	same	1.67% x 1st 10 yr to 2.3% x yr 30+
IN	S,L	Yes	3%	8.1% - 6.9%	10 yrs	5 H	1.1% x yrs x FAS + "EE" M.P. Annuity
IN	T	Yes	3%[c]	Pay-as-you-go	same	same	same
IA	S,L,T	Yes	3.75% (20,000)	5.75% (20,000)	4 yrs	5 H w/cap	1.67% x yrs x FAS
KS	S,L,T	Yes	4%[c]	4.0% - 4.3%	10 yrs	5 H	1.4% x yrs x FAS
KY[b]	S,L	Yes	4%[c]	6.25% - 7.25%	5 yrs	5 H	1.65% x yrs x FAS
KY	T	No	7.45% - 8.93%	Matching + 3.25%	same	same	2.5% x yrs x FAS
LA	S	No	7%[c]	9%	10 yrs	3 HC	2.5% x yrs x FAS + $300 @ yr
LA	T	No	7%[c]	9.3%	same	same	2.5% x yrs x FAS
ME	S,L,T	No	6.5%	14.23%	10 yrs	3 H	2% x yrs. x FAS
MD[b]	S,L,T	Yes	5% over SS Base	9.83% - 7.38%	5 yrs	3 H	(.8% x Avg. S.S. base) + 1.5% x excess
MA	S	No	7%	?	10 yrs	3 HC	2.5% x yrs. x FAS (at 65)
MA	T	No	7%	?	same	same	same
MI	S	Yes	Non-Contrib.	9.52%	10 yrs	5 HC	1.5% x yrs. x FAS
MI	T	Yes	4% (EE option)	5%	same	same	same
MN[b]	S	Yes	3.73%[c]	3.9%	10 yrs	5 HC	1% x 1st 10 yr + 1.5% x added yrs
MN	T	Yes	4.5%[c]	8.98%	same	same	same
MS	S,L,T	Yes	6%[c]	8.75%	4 yrs	4 HC w/cap	(1.625% x 1st 20 yr) to 2% x yr 30+
MO	S	Yes	Non-Contrib.	12%	5 yrs	3 HC	1.33% x yrs. x FAS
MO	T	No	9.5%	9.5%	10 yrs	5 HC	2% x yrs. x FAS
MT	S,L	Yes	6%	6.417%	5 yrs	3 HC	1.67% x yrs. x FAS
MT	T	Yes	7.044%	7.32%	same	same	same
NE[b]	S,L	Yes	3.6%-4.8% (Split)	156% of EE rate	5 yrs	-	Money Purchase
NE	T	Yes	4.8%	101% of EE rate	same	3 H	1.65% x yrs x FAS
NV	S,L,T	No	Non-Contrib.	16%	10 yrs	3 HC	2.5% x yrs x FAS

State	Empl. Cov.[a]	Soc. Sec.	Employee Contrib.	Employer Contrib.	Vesting Period	Final Avg. Salary Period	Benefit Formula
NH	S,L,T	Yes	4.6%-9.2% (Split)[c]	?	10 yrs	3 H	1.67% x yrs. x FAS - SS offset at 65
NJ	S,L	Yes	4.96%-8.73% (age)	?	10 yrs	3 H	1.67% x yrs x FAS
NJ	T	Yes	5.05%-9.09% (age)	?	same	same	same
NM	S,L	Yes	7% - 7.85%	7% - 7.85%	5 yrs	3 H	2% x yrs x FAS
NM	T	Yes	7.6%[c]	7.6%	same	5 HC	same
NY[b]	S,L	Yes	3%	9.4%	10 yrs	3 HC w/cap	(2% x 30 yr) + 1.5% x added yrs
NY[b]	T	Yes	3%	?	same	same	same
NC	S,T	Yes	6%[c]	10.25%	5 yrs	4 HC	1.58% x yrs x FAS
ND	S,L,T	Yes	4%[c]	5.18%	10 yrs	5 H/10	1.3% x yrs x FAS
ND	T	Yes	6.25%[c]	6.25%	same	3 H/10	1.1% x yrs. x FAS
OH	S,L	No	8.5%[c]	13.71% - 13.95%	5 yrs	3 H	2.1% x yrs x FAs
OH	T	No	8.75%[c]	14%	same	same	2% x yrs x FAS
OK	S,L	Yes	4%	14%	10 yrs	5 H/10 - cap	2% x yrs x FAS
OK	T	Yes	5%[c] of (25,000)	?	same	3 H w/cap	same
OR	S,L,T	Yes	6%[c]	10.57% - 10.29%	5 yrs	H/10	1.67% x yrs. x FAS
PA	S	Yes	6.25%[c]	15.77%	10 yrs	3 HC	2% x yrs. x FAS
PA	T	Yes	6.25%	9.16%	same	3 H	same
RI	S,T	Yes	6% - 7%[c]	1.4% - 6.6%	10 yrs	3 HC	(1.7% x 1st 10 yr) to 2.4% yr over 20
SC[b]	S,L,T	Yes	4% - 6% (Split)[c]	7.3% - 6.45%	5 yrs	3 HC	(1.25% x 4,800) + (1.65% x added FAS)
SD	S,L,T	Yes	5%[c]	5%	5 yrs	3 HC/10	(1.1% x yrs x FAS) or (2%-PIA)
TN	S,L,T	Yes	Non-Contrib.	11.05% - 15.03%	10 yrs	5 HC	(1.5% x yr x FAS) + .25% x FAS $15,000+
TX	S	Yes	6%	7.4%	10 yrs	3 H/5	1.5% x 1st 10 yr + 2% added yrs
TX	T	Yes	6.4%	8%	same	3 H	2% x yrs x FAS
UT	S,L,T	Yes	Non-Contrib.	11.82%		3 H	2% x yrs x FAS + 401 (k)
VT	S	Yes	Non-Contrib.	10.01%	10 yrs	5 HC	1.25% x yrs x FAS
VT	T	Yes	5.5%	8.74%	same	same	same
VA	S,L,T	Yes	5%[c]	7.84% - 11.2%	5 yrs	3 HC	1.65% x yrs x (FAS - 1,200)
WA[b]	S,L	Yes	5.11%[c]	?	5 yrs	5 HC	2% x yrs x FAS
WA[b]	T	Yes	6.45%[c]	?	same	same	same
WV	S,L	Yes	4.5%	9.5% - 10.5%	5 yrs	3 H/10	2% x yrs x FAS
WV	T	Yes	6%	6%	5 yrs	5 H/15	same
WI	S,L,T	Yes	5% + 1%[c]	6.5% Avg.	Imm.	3 H	1.6% x yrs x FAS
WY	S,L,T	Yes	5.5%[c]	5.68%	4 yrs	3 HC	2% x yrs x FAS

NOTES: [a]Employee coverage: S = state, L = local, T = teachers
[b] = more than one tier
[c] = employer pick-up permitted or required
EE = employee, ER = employer
H = highest, HC = highest consecutive, 3 HC/10 = final average salary of 3 highest consecutive years of 10-year period of service.
FAS = final average salary
EE M.P. Annuity = employees contribution is invested in a "money purchase" annuity

SOURCE: State of Wisconsin Retirement Research Committee, Staff Report No. 77, "1986 Comparative Survey of Major Public Pension Plans," combines elements of Charts I, III & V.

APPENDIX B: Purchase of Retirement Service Credit Options and Stipulations for Public School Teachers

State	Purchase Option?	When Can Purchase?	No. of Years Can Purchase	Contribution Formula	Other Stipulations
Alabama*	Yes	10 yrs service	5 yrs	Current ER + EE contribution based on salary at time of purchase	Must buy 1 year increments
Alaska	Yes	N/A	10 yrs	Full actuarial cost + interest (for members hired after 7/78)	Must have taught at least 172 days per school year, out-of-state
Arizona*	Yes	At retirement	5 yrs	Actuarial present value of increase in benefit	
Arkansas*	Yes	10 yrs service	10 yrs	19.5% of lst year Ark. annual salary + interest	Must have taught at least 120 days in fiscal year, out-of-state
California	No				
Colorado	Yes	5 yrs service	No limit	Actuarial equivalency	
Connecticut	Yes	At retirement	10 yrs	1/2 actuarial present value of increase in benefit	Each year out-of-state service must be matched with 2 yrs of Conn. service
Delaware	Yes	At retirement	5 yrs	Actuarial cost based on individual's attained age and FAS	Credit only for full-time work. Buy-in can't count toward pension eligibility
Florida	No				
Georgia*	Yes	6 yrs service	10 yrs	Depends on reciprocity agreement; buy-ins for teachers from reciprocal states cost 8% plus accumulated interest	Out-of-state service must have been half-time or more
Hawaii	No				
Idaho	No				
Illinois	Yes	5 yrs service	10 yrs	Calculated at Ill. contribution rate plus interest	Purchased credits can't exceed 2/5 of Ill. service
Indiana	Yes	1 yr service	8 yrs	6.5% of first year of Ind. salary plus interest; effective 1981	Withdrawal allowed if teachers fails to meet minimum requirement of 10 years of Ind. service
Iowa*	Yes	4 yrs service	Must buy all service within a state	Calculated as if service had been in Iowa plus interest	Can buy credit for service in more than one state; can't be vested out-of-state
Kansas	Yes	N/A	10 yrs	Actuarial cost based on current salary, age of member	Service purchased counts toward vesting

State	Purchase Option?	When Can Purchase?	No. of Years Can Purchase	Contribution Formula	Other Stipulations
Kentucky*	Yes	1 yr service	10 yrs	Based on contribution rate at time of purchase (effective 1/1/84)	Each year out-of-state service must be matched with 2 years of Ky. service
Louisiana*	Yes	10 yrs service	5 yrs	Actuarial cost based on years of service, current salary, age of member	
Maine	Yes	10 yrs service	No limit	EE, ER amounts based on increase in benefits	
Maryland*	Yes	Within year of retirement	10 yrs	EE, ER amounts based on FAS	
Massachusetts*	Yes	Immediate	10 yrs	Based on out-of-state salary at Mass. rate of contribution + interest	Buy-in can't exceed Mass. service
Michigan*	Yes	10 yrs service; must follow out-of-state service	15 yrs	5% of highest full-time salary at time of purchase	Buy-in can't exceed Mich. service
Minnesota	No				
Mississippi	Yes	5 yrs service	5 yrs	Actuarial cost based on current years of Miss. service, with and without extra years + current salary, age of member	
Missouri*	Yes	Within 10 yrs service or before 6/19/97	10 yrs	EE contrib rate x first year's Mo. salary	Must serve full-time in Mo.
Montana	Yes	5 yrs service	5 yrs	EE, ER contribution rate + interest x first Mont. salary	
Nebraska	Yes	Within 3 yrs service	10 yrs	Retirement contribution for each year + actual interest	Can purchase between 1/1/87 - 6/30/88
Nevada*	Yes	5 yrs service	5 yrs	Average compensation x number months purchased x age-related %; ER has option of paying half EE's cost	Can buy for any out-of-state public service
New Jersey	Yes	Must be member N.J. retirement system	10 yrs	1/2 actuarial age factor x current salary x years purchased; ER pays 1/2	Cost increases with age and salary at time of purchase request
New Mexico	Yes	N/A	5 yrs	15.2% x salary at time of purchase	
New Hampshire	No				

State	Purchase Option?	When Can Purchase?	No. of Years Can Purchase	Contribution Formula	Other Stipulations
New York	No				
North Carolina	No				
North Dakota*	Yes	1 yr service	10 yrs	Actuarial equivalent cost	Must purchase within five years of eligibility
Ohio*	Yes	1 yr service	5 yrs	First year Ohio service x current EE contribution rate + 7.75% annual interest	Can purchase for full- or part-time out-of-state or Ohio service. Match out-of-state service with Ohio service
Oklahoma*	Yes	10 yrs service	5 yrs	5% of salary + 5% interest	Fractional consecutive years out-of-state can be counted
Oregon	No				
Pennsylvania*	Yes	1 yr service	12 yrs	EE, ER contribution rate x first Pa. salary + annual interest	Each year out-of-state service must be matched with a year of Pa. service
Rhode Island	Yes	1 yr service	5 yrs	Full actuarial value based on age, salary at purchase	Special low rate is in effect for 1 year: 10% of first year's earnings (void after 6/30/88)
South Carolina*	Yes	N/A	N/A	10% x salary at time of purchase	
South Dakota*	Yes	Immediate	No limit	EE, ER current contribution rates x salary	Out-of-state service must have been full-time service
Tennessee*	Yes	1 yr service	Can't exceed yrs Tenn. service	Calculated as if service had been in Tenn. (EE & ER shares) + 7.5% annual interest	Application form cautions prospective buyer that cost may outweigh benefit
Texas	Yes	10 yrs service	10 yrs	12% of first year Texas annual salary plus 8% crediting fee	Can purchase 1 year at a time; each year out-of-state service must be matched with a year of Texas service
Utah	Yes	Immediate	No limit	Actuarial value based on current salary and number of years before retirement	ER has option to purchase authorized service for employees
Vermont	No				
Virginia*	Yes	5 yrs service	Can't exceed yrs Va. service	15% of current salary	Application form indicates cost recovered 10 years after retirement
Washington	No				

State	Purchase Option?	When Can Purchase?	No. of Years Can Purchase	Contribution Formula	Other Stipulations
West Virginia*	Yes	2 yrs service	10 yrs	2 x EE contribution rate based on first W.Va. annual salary + 6% compounded interest	Each year out-of-state service must be matched with 2 years of W.Va. service
Wisconsin	No				
Wyoming*	Yes	Within first 4 yrs Wyo. service	5 yrs	Actuarial cost based on years of service, current salary, etc.	

NOTES: *Purchaser must not be eligible to receive benefits from out-of-state service.

EE = employee, ER = employer, FAS = final average salary

The information presented applies to the most current retirement plan, i.e. if a state applies one set of requirements for individuals employed before 1957 and another for those employed after 1957, only the post-1957 requirements are presented. Formulas generally apply per year purchased.

SOURCE: State retirement systems.

APPENDIX C: Projected Transfers in Twelve States Based on Canadian Reciprocal Agreement

The following tables, compiled by the National Association of State Budget Officers (NASBO), project the amount of money that might be transferred from one state to another state under an interstate agreement similar to the Canadian reciprocal agreement.

The first set of charts consists of state examples of the amount of money that, theoretically, would be put into a state pension system on behalf of an individual teacher. The amount of money theoretically set aside for a teacher has been determined by multiplying the state's employee and employer contribution rates by a sample salary per year employed. Each example is based on the average beginning salary* of a teacher who entered the profession in that state during the 1977-78 academic year.** Each subsequent year's salary was determined by using the rate of change for the average annual teacher's salary in that state. (See determination of rates of change of teachers' salaries.) Average annual salaries were compiled from data collected by the National Education Association.

The second set of charts consists of twelve hypothetical examples of a teacher moving from one state to another. Using the salary of the exporting state (the state from which the teacher moves) as a base, the total contribution into the pension system has been determined by using each state's own contribution rates. For example, $26,193 might be set aside, theoretically, for a teacher with ten years of experience in the Arkansas schools, for that teacher's pension plan. If that same teacher moves to Arizona, $18,345 might be set aside, determined by Arizona's contribution rates and the teacher's Arkansas salary. If Arkansas and Arizona were parties to an interstate agreement similar to Canada's, only $18,345, the smaller of the two amounts, would be transferred from Arkansas to Arizona.

In the hypothetical case of the teacher transferring from Maine to Ohio, $24,752 is the amount contributed by the teacher in Maine and his or her employer, given the sample salary schedule. However, based on the Maine salary, $25,346 would have been contributed in Ohio's retirement plan. Since the lower amount is always transferred, the teacher moving from Maine to Ohio would need to make up the difference of $594 between the Maine and Ohio figures.

* Some states provided a figure based on the mean first step in the salary schedule for districts across the state.

** Arizona, Maine, and Texas provided beginning salaries for 1978-79.

Pension Contributions Made on Behalf of a Hypothetical Teacher with Ten Years' Experience

ARIZONA

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,630	7.00	7.00	674	674	1,348
1978-79	10,165	7.00	7.00	712	712	1,423
1979-80	10,566	7.00	7.00	740	740	1,479
1980-81	11,503	7.00	7.00	805	805	1,610
1981-82	12,038	7.00	7.00	843	843	1,685
1982-83	12,573	7.00	7.00	880	880	1,760
1983-84	14,445	7.00	7.00	1,011	1,011	2,022
1984-85	15,649	7.00	7.00	1,095	1,095	2,191
1985-86	16,518	5.67	5.67	937	937	1,873
1986-87	17,588	5.53	5.53	973	973	1,945
						17,338

ARKANSAS

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,138	6.00	12.20	548	1,115	1,663
1978-79	10,143	6.00	12.38	609	1,256	1,864
1979-80	11,331	6.00	12.33	680	1,397	2,077
1980-81	12,154	6.00	12.02	729	1,461	2,190
1981-82	12,793	6.00	12.29	768	1,572	2,340
1982-83	13,890	6.00	12.29	833	1,707	2,540
1983-84	15,443	6.00	13.33	927	2,059	2,985
1984-85	17,271	6.00	13.86	1,036	2,394	3,430
1985-86	17,819	6.00	13.86	1,069	2,470	3,539
1986-87	18,276	6.00	13.50	1,097	2,467	3,564
						26,193

CALIFORNIA

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	10,460	8.00	7.20	837	753	1,590
1978-79	10,580	8.00	8.00	846	846	1,693
1979-80	11,482	8.00	8.00	919	919	1,837
1980-81	11,903	8.00	8.00	952	952	1,904
1981-82	13,466	8.00	8.00	1,077	1,077	2,155
1982-83	14,187	8.00	8.00	1,135	1,135	2,270
1983-84	15,870	8.00	8.00	1,270	1,270	2,539
1984-85	15,810	8.00	8.00	1,265	1,265	2,530
1985-86	17,914	8.00	8.25	1,433	1,478	2,911
1986-87	18,756	8.00	8.25	1,500	1,547	3,048
						22,477

FLORIDA

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,704	0	9.00	0	783	783
1978-79	10,880	0	9.10	0	990	990
1979-80	11,346	0	9.10	0	1,033	1,033
1980-81	12,123	0	9.10	0	1,103	1,103
1981-82	13,134	0	10.93	0	1,436	1,436
1982-83	14,377	0	10.93	0	1,571	1,571
1983-84	15,154	0	10.93	0	1,656	1,656
1984-85	16,398	0	12.24	0	2,007	2,007
1985-86	17,330	0	12.24	0	2,121	2,121
1986-87	18,496	0	13.14	0	2,430	2,430
						15,131

MAINE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,450	6.50	10.17	549	859	1,409
1978-79	8,883	6.50	10.34	577	919	1,496
1979-80	9,461	6.50	14.13	615	1,337	1,952
1980-81	9,894	6.50	14.39	643	1,424	2,067
1981-82	10,761	6.50	15.71	699	1,691	2,390
1982-83	11,050	6.50	16.17	718	1,787	2,505
1983-84	12,494	6.50	16.46	812	2,057	2,869
1984-85	13,217	6.50	16.75	859	2,214	3,073
1985-86	14,156	6.50	17.01	920	2,408	3,328
1986-87	15,383	6.50	17.32	1,000	2,664	3,664
						24,752

NEW JERSEY

YEAR	SALARY	EMPLOYEE RATE*	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	7,500	7.07	8.51	530	638	1,169
1978-79	7,938	7.07	7.88	561	626	1,187
1979-80	8,328	7.07	10.53	589	877	1,466
1980-81	8,912	7.07	10.65	630	949	1,579
1981-82	9,594	7.07	10.85	678	1,041	1,719
1982-83	10,519	7.07	11.12	744	1,170	1,913
1983-84	11,201	7.07	11.39	792	1,276	2,068
1984-85	12,224	7.07	11.43	864	1,397	2,261
1985-86	13,734	7.07	11.81	971	1,622	2,593
1986-87**	14,075	7.07	7.62	995	1,072	2,068
						18,023

*The employee contribution rate falls within a range which depends upon the teacher's age when entering the pension system. The range is 5.05 to 9.09%. For these purposes the midpoint of the two was used--7.07%.

**Major changes occurred in how the system was funded in that the assumed interest was increased.

NORTH DAKOTA

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,846	5.00	5.00	442	442	885
1978-79	9,394	6.25	6.25	587	587	1,174
1979-80	10,255	6.25	6.25	641	641	1,282
1980-81	10,881	6.25	6.25	680	680	1,360
1981-82	11,586	6.25	6.25	724	724	1,448
1982-83	14,404	6.25	6.25	900	900	1,801
1983-84	15,970	6.25	6.25	998	998	1,996
1984-85	15,578	6.25	6.25	974	974	1,947
1985-86	16,283	6.25	6.25	1,018	1,018	2,035
1986-87	17,066	6.25	6.25	1,067	1,067	2,133
						16,062

OHIO

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,862	8.50	13.50	753	1,196	1,950
1978-79	9,462	8.50	13.50	804	1,277	2,082
1979-80	10,128	8.50	13.50	861	1,367	2,228
1980-81	10,794	8.50	13.50	918	1,457	2,375
1981-82	12,060	8.50	13.50	1,025	1,628	2,653
1982-83	13,593	8.50	13.50	1,155	1,835	2,990
1983-84	14,259	8.50	13.50	1,212	1,925	3,137
1984-85	15,125	8.75	14.00	1,323	2,118	3,441
1985-86	16,325	8.75	14.00	1,428	2,285	3,714
1986-87	17,524	8.75	14.00	1,533	2,453	3,987
						28,556

TEXAS

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,622	6.65	7.50	640	722	1,362
1978-79	9,772	6.65	7.50	650	733	1,383
1979-80	10,524	6.65	8.50	700	895	1,594
1980-81	11,426	6.65	8.50	760	971	1,731
1981-82	13,155	6.65	8.50	875	1,118	1,993
1982-83	14,659	6.65	8.50	975	1,246	2,221
1983-84	15,110	6.00	7.10	907	1,073	1,979
1984-85	16,989	6.00	7.10	1,019	1,206	2,226
1985-86	18,342	6.40	8.00	1,174	1,467	2,641
1986-87	19,018	6.40	8.00	1,217	1,521	2,739
						19,868

WEST VIRGINIA

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,655	6.00	6.00	519	519	1,039
1978-79	9,160	6.00	6.00	550	550	1,099
1979-80	9,809	6.00	6.00	589	589	1,177
1980-81	10,602	6.00	6.00	636	636	1,272
1981-82	12,406	6.00	6.00	744	744	1,489
1982-83	12,550	6.00	6.00	753	753	1,506
1983-84	12,622	6.00	6.00	757	757	1,515
1984-85	14,137	6.00	6.00	848	848	1,696
1985-86	14,858	6.00	6.00	891	891	1,783
1986-87	15,435	6.00	6.00	926	926	1,852
						14,428

RHODE ISLAND

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,374	6.00	6.10	562	572	1,134
1978-79	9,839	6.50	3.80	640	374	1,013
1979-80	10,557	6.50	4.60	686	486	1,172
1980-81	11,780	6.50	5.40	766	636	1,402
1981-82	12,701	6.50	6.60	826	838	1,664
1982-83	13,590	7.00	7.30	951	992	1,943
1983-84	14,858	7.00	8.10	1,040	1,204	2,244
1984-85	16,240	7.00	9.35	1,137	1,518	2,655
1985-86	17,282	8.00	9.90	1,383	1,711	3,093
1986-87	18,225	8.50	9.45	1,549	1,722	3,271
						19,592

MISSOURI

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,601	9.50	9.50	817	817	1,634
1978-79	8,995	9.50	9.50	855	855	1,709
1979-80	9,682	9.50	9.50	920	920	1,840
1980-81	10,913	9.50	9.50	1,037	1,037	2,073
1981-82	11,615	9.50	9.50	1,103	1,103	2,207
1982-83	12,399	9.50	9.50	1,178	1,178	2,356
1983-84	13,636	9.50	9.50	1,295	1,295	2,591
1984-85	14,473	9.50	9.50	1,375	1,375	2,750
1985-86	15,530	9.50	9.50	1,475	1,475	2,951
1986-87	16,584	9.50	9.50	1,575	1,575	3,151
						23,261

Projected Transfers Based on Canadian Reciprocal Agreement

ARKANSAS--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,138	6.00	12.20	548	1,115	1,663
1978-79	10,143	6.00	12.38	609	1,256	1,864
1979-80	11,331	6.00	12.33	680	1,397	2,077
1980-81	12,154	6.00	12.02	729	1,461	2,190
1981-82	12,793	6.00	12.29	768	1,572	2,340
1982-83	13,890	6.00	12.29	833	1,707	2,540
1983-84	15,443	6.00	13.33	927	2,059	2,985
1984-85	17,271	6.00	13.86	1,036	2,394	3,430
1985-86	17,819	6.00	13.86	1,069	2,470	3,539
1986-87	18,276	6.00	13.50	1,097	2,467	3,564
						26,193

ARIZONA--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
640	640	1,279
710	710	1,420
793	793	1,586
851	851	1,701
896	896	1,791
972	972	1,945
1,081	1,081	2,162
1,209	1,209	2,418
1,010	1,010	2,021
1,011	1,011	2,021
		18,345

MAINE--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,450	6.50	10.17	549	859	1,409
1978-79	8,883	6.50	10.34	577	919	1,496
1979-80	9,461	6.50	14.13	615	1,337	1,952
1980-81	9,894	6.50	14.39	643	1,424	2,067
1981-82	10,761	6.50	15.71	699	1,691	2,390
1982-83	11,050	6.50	16.17	718	1,787	2,505
1983-84	12,494	6.50	16.46	812	2,057	2,869
1984-85	13,217	6.50	16.75	859	2,214	3,073
1985-86	14,156	6.50	17.01	920	2,408	3,328
1986-87	15,383	6.50	17.32	1,000	2,664	3,664
						24,752

OHIO--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
718	1,141	1,859
755	1,199	1,954
804	1,277	2,081
841	1,336	2,177
915	1,453	2,367
939	1,492	2,431
1,062	1,687	2,749
1,156	1,850	3,007
1,239	1,982	3,220
1,346	2,154	3,500
		25,346

NORTH DAKOTA--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,846	5.00	5.00	442	442	885
1978-79	9,394	6.25	6.25	587	587	1,174
1979-80	10,255	6.25	6.25	641	641	1,282
1980-81	10,881	6.25	6.25	680	680	1,360
1981-82	11,586	6.25	6.25	724	724	1,448
1982-83	14,404	6.25	6.25	900	900	1,801
1983-84	15,970	6.25	6.25	998	998	1,996
1984-85	15,578	6.25	6.25	974	974	1,947
1985-86	16,283	6.25	6.25	1,018	1,018	2,035
1986-87	17,066	6.25	6.25	1,067	1,067	2,133
						16,062

FLORIDA--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
0	796	796
0	855	855
0	933	933
0	990	990
0	1,266	1,266
0	1,574	1,574
0	1,745	1,745
0	1,907	1,907
0	1,993	1,993
0	2,242	2,242
		14,303

OHIO--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,862	8.50	13.50	753	1,196	1,950
1978-79	9,462	8.50	13.50	804	1,277	2,082
1979-80	10,128	8.50	13.50	861	1,367	2,228
1980-81	10,794	8.50	13.50	918	1,457	2,375
1981-82	12,060	8.50	13.50	1,025	1,628	2,653
1982-83	13,593	8.50	13.50	1,155	1,835	2,990
1983-84	14,259	8.50	13.50	1,212	1,925	3,137
1984-85	15,125	8.75	14.00	1,323	2,118	3,441
1985-86	16,325	8.75	14.00	1,428	2,285	3,714
1986-87	17,524	8.75	14.00	1,533	2,453	3,987
						28,556

CALIFORNIA--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
709	638	1,347
757	757	1,514
810	810	1,620
864	864	1,727
965	965	1,930
1,087	1,087	2,175
1,141	1,141	2,281
1,210	1,210	2,420
1,306	1,347	2,653
1,402	1,446	2,848
		20,515

TEXAS--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,622	6.65	7.50	640	722	1,362
1978-79	9,772	6.65	7.50	650	733	1,383
1979-80	10,524	6.65	8.50	700	895	1,594
1980-81	11,426	6.65	8.50	760	971	1,731
1981-82	13,155	6.65	8.50	875	1,118	1,993
1982-83	14,659	6.65	8.50	975	1,246	2,221
1983-84	15,110	6.00	7.10	907	1,073	1,979
1984-85	16,989	6.00	7.10	1,019	1,206	2,226
1985-86	18,342	6.40	8.00	1,174	1,467	2,641
1986-87	19,018	6.40	8.00	1,217	1,521	2,739
						19,868

ARKANSAS--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
577	1,174	1,751
586	1,210	1,796
631	1,298	1,929
686	1,373	2,059
789	1,617	2,406
880	1,802	2,681
907	2,014	2,921
1,019	2,355	3,374
1,101	2,542	3,643
1,141	2,567	3,709
		26,268

WEST VIRGINIA--EXPORTING STATE

YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	8,655	6.00	6.00	519	519	1,039
1978-79	9,160	6.00	6.00	550	550	1,099
1979-80	9,809	6.00	6.00	589	589	1,177
1980-81	10,602	6.00	6.00	636	636	1,272
1981-82	12,406	6.00	6.00	744	744	1,489
1982-83	12,550	6.00	6.00	753	753	1,506
1983-84	12,622	6.00	6.00	757	757	1,515
1984-85	14,137	6.00	6.00	848	848	1,696
1985-86	14,858	6.00	6.00	891	891	1,783
1986-87	15,435	6.00	6.00	926	926	1,852
						14,428

NEW JERSEY--IMPORTING STATE

EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
612	737	1,348
648	722	1,369
693	1,033	1,726
750	1,129	1,879
877	1,346	2,223
887	1,396	2,283
892	1,438	2,330
999	1,616	2,615
1,050	1,755	2,805
1,091	1,176	2,267
		20,847

RHODE ISLAND--EXPORTING STATE							MISSOURI--IMPORTING STATE		
YEAR	SALARY	EMPLOYEE RATE	EMPLOYER RATE	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.	EMPLOYEE CONTRIB.	EMPLOYER CONTRIB.	TOTAL CONTRIB.
1977-78	9,374	6.00	6.10	562	572	1,134	891	891	1,781
1978-79	9,839	6.50	3.80	640	374	1,013	935	935	1,869
1979-80	10,557	6.50	4.60	686	486	1,172	1,003	1,003	2,006
1980-81	11,780	6.50	5.40	766	636	1,402	1,119	1,119	2,238
1981-82	12,701	6.50	6.60	826	838	1,664	1,207	1,207	2,413
1982-83	13,590	7.00	7.30	951	992	1,943	1,291	1,291	2,582
1983-84	14,858	7.00	8.10	1,040	1,204	2,244	1,412	1,412	2,823
1984-85	16,240	7.00	9.35	1,137	1,518	2,655	1,543	1,543	3,086
1985-86	17,282	8.00	9.90	1,383	1,711	3,093	1,642	1,642	3,284
1986-87	18,225	8.50	9.45	1,549	1,722	3,271	1,731	1,731	3,463
						19,592			25,545

Rates of Change in Average Teachers' Salaries, 1977-87

ARIZONA

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	14,400	---	9,630
1978-79	15,200	5.56	10,165
1979-80	15,800	3.95	10,566
1980-81	17,200	8.86	11,503
1981-82	18,000	4.65	12,038
1982-83	18,800	4.44	12,573
1983-84	21,600	14.89	14,445
1984-85	23,400	8.33	15,649
1985-86	24,700	5.56	16,518
1986-87	26,300	6.48	17,588

ARKANSAS

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	10,000	---	9,138
1978-79	11,100	11.00	10,143
1979-80	12,400	11.71	11,331
1980-81	13,300	7.26	12,154
1981-82	14,000	5.26	12,793
1982-83	15,200	8.57	13,890
1983-84	16,900	11.18	15,443
1984-85	18,900	11.83	17,271
1985-86	19,500	3.17	17,819
1986-87	20,000	2.56	18,276

FLORIDA

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	11,200	---	8,704
1978-79	14,000	25.00	10,880
1979-80	14,600	4.29	11,346
1980-81	15,600	6.85	12,123
1981-82	16,900	8.33	13,134
1982-83	18,500	9.47	14,377
1983-84	19,500	5.41	15,154
1984-85	21,100	8.21	16,398
1985-86	22,300	5.69	17,330
1986-87	23,800	6.73	18,496

CALIFORNIA

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	17,400	---	10,460
1978-79	17,600	1.15	10,580
1979-80	19,100	8.52	11,482
1980-81	19,800	3.66	11,903
1981-82	22,400	13.13	13,466
1982-83	23,600	5.36	14,187
1983-84	26,400	11.86	15,870
1984-85	26,300	-0.38	15,810
1985-86	29,800	13.31	17,914
1986-87	31,200	4.70	18,756

MAINE

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	11,700	---	8,450
1978-79	12,300	5.13	8,883
1979-80	13,100	6.50	9,461
1980-81	13,700	4.58	9,894
1981-82	14,900	8.76	10,761
1982-83	15,300	2.68	11,050
1983-84	17,300	13.07	12,494
1984-85	18,300	5.78	13,217
1985-86	19,600	7.10	14,156
1986-87	21,300	8.67	15,383

MISSOURI

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	12,154	---	8,601
1978-79	12,711	4.58	8,995
1979-80	13,682	7.64	9,682
1980-81	15,421	12.71	10,913
1981-82	16,413	6.43	11,615
1982-83	17,521	6.75	12,399
1983-84	19,269	9.98	13,636
1984-85	20,452	6.14	14,473
1985-86	21,945	7.30	15,530
1986-87	23,435	6.79	16,584

Note: Average salaries provided by the National Education Association.

NEW JERSEY

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	15,400	---	7,500
1978-79	16,300	5.84	7,938
1979-80	17,100	4.91	8,328
1980-81	18,300	7.02	8,912
1981-82	19,700	7.65	9,594
1982-83	21,600	9.64	10,519
1983-84	23,000	6.48	11,201
1984-85	25,100	9.13	12,224
1985-86	28,200	12.35	13,734
1986-87	28,900	2.48	14,075

NORTH DAKOTA

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	11,300	---	8,846
1978-79	12,000	6.19	9,394
1979-80	13,100	9.17	10,255
1980-81	13,900	6.11	10,881
1981-82	14,800	6.47	11,586
1982-83	18,400	24.32	14,404
1983-84	20,400	10.87	15,970
1984-85	19,900	-2.45	15,578
1985-86	20,800	4.52	16,283
1986-87	21,800	4.81	17,066

OHIO

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	13,300	---	8,862
1978-79	14,200	6.77	9,462
1979-80	15,200	7.04	10,128
1980-81	16,200	6.58	10,794
1981-82	18,100	11.73	12,060
1982-83	20,400	12.71	13,593
1983-84	21,400	4.90	14,259
1984-85	22,700	6.07	15,125
1985-86	24,500	7.93	16,325
1986-87	26,300	7.35	17,524

RHODE ISLAND

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	15,985	---	9,374
1978-79	16,778	4.96	9,839
1979-80	18,002	7.30	10,557
1980-81	20,088	11.59	11,780
1981-82	21,659	7.82	12,701
1982-83	23,175	7.00	13,590
1983-84	25,337	9.33	14,858
1984-85	27,693	9.30	16,240
1985-86	29,470	6.42	17,282
1986-87	31,079	5.46	18,225

TEXAS

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	12,800	---	9,622
1978-79	13,000	1.56	9,772
1979-80	14,000	7.69	10,524
1980-81	15,200	8.57	11,426
1981-82	17,500	15.13	13,155
1982-83	19,500	11.43	14,659
1983-84	20,100	3.08	15,110
1984-85	22,600	12.44	16,989
1985-86	24,400	7.96	18,342
1986-87	25,300	3.69	19,018

WEST VIRGINIA

YEAR	AVERAGE SALARY	RATE OF CHANGE	NEW SALARY
1977-78	12,000	---	8,655
1978-79	12,700	5.83	9,160
1979-80	13,600	7.09	9,809
1980-81	14,700	8.09	10,602
1981-82	17,200	17.01	12,406
1982-83	17,400	1.16	12,550
1983-84	17,500	0.57	12,622
1984-85	19,600	12.00	14,137
1985-86	20,600	5.10	14,858
1986-87	21,400	3.88	15,435

APPENDIX D: Selected Portions of the Reciprocal Agreement With Respect to Pensions for Canadian Teachers

This reciprocal agreement went into effect January 31, 1978 among the provinces of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland, Nova Scotia, and Prince Edward Island.

Memorandum of Agreement

WHEREAS each of the pension authorities has considered it desirable to enter into an agreement that applies to a teacher who is not in receipt of a pension from a pension authority.

(a) to enable such teacher who meets the requirements of this agreement to transfer from one pension authority to another without loss of pensionable service accumulated in any one or more of the other pension authorities; and

(b) to provide a reciprocal pension to be funded by the transfer of monies to the province of his retirement by each of the pension authorities of the fund in which a teacher has accumulated pensionable service.

Now Therefore This Agreement Witnesseth:

1. This agreement takes effect on the 31st day of January 1978 as to each of the pension authorities that subscribe to this agreement and continues in force until terminated as hereinafter provided.

2. In this agreement,

   (a) "calculated interest" means the interest on each contribution by and and on behalf of an eligible teacher, or the required contribution, as the case may be from the year to which the contribution applies to the end of the calendar month immediately preceding the date upon which the transfer is made;

   (b) "eligible teacher" means a teacher who has transferred from pensionable service in one province to pensionable service in another province, who accrues pensionable service after the 31st day of January, 1978, and who is not in receipt of a pension in respect of any of his pensionable service;

(c) "exporting plan" means the pension plan from which the transfer of monies is to be made;

(d) "importing plan" means the pension plan to which the transfer of monies is to be made;

(e) "pension authority" means the body or person responsible for the administration of a pension plan in a province;

(f) "pension plan" means the plan or fund that is administered by a pension authority to provide pensions for teachers;

(g) "pensionable service" means a period of teaching or other service recognized for the purpose of calculating a pension by a pension authority that is a party to this agreement;

(h) "province" means any province or territory of Canada or any other jurisdiction, the pension authority of which is at any given time a party to this agreement;

(i) "stipulated rate" means the rate per annum compounded annually applicable to the calculation of interest under this agreement...;

(j) "teacher" means a person who prior to his retirement render pensionable service in a province of which the pension authority is or becomes a party to this agreement;

(k) words importing the masculine gender include the feminine and words importing the singular number include the plural.

3. ...the transfer of pensionable service under this agreement shall be made in respect of an eligible teacher who,

(a) ceased or ceases to be a contributor to the exporting plan, became or becomes a contributor to the importing plan and has credit in the importing plan for a period of pensionable service at least one year;

(b) has pensionable service to his credit in the exporting plan; and

(c) executes a form of application for transfer.

4. The money that may be transferred from the exporting plan in respect of an eligible teacher shall be a sum equal to:

(a) twice the contributions made by the teacher for teaching service in that plan; and

(b) if applicable, twice the contributions that are required by law to be made by him in respect of a period of pensionable service and that stand to his credit at the time of transfer, except a contribution made by him in lieu of a contribution by his employer or the province, and any interest paid by the teacher; and

(c) in either case calculated interest on (a) and (b) at the stipulated rate, or, at the option of the exporting plan, any greater sum that is available.

5. The money required by the importing plan in respect of an eligible teacher shall be the sum of:

(a) the contributions that would, under the plan have been required to have been made by him to establish pensionable service in the importing plan equal to pensionable service in the exporting plan if he had been a contributor to the importing plan during his period of pensionable service under the exporting plan and had received the salary that he received, or is deemed to have received while a contributor to the exporting plan; and

(b) the contribution that would, under the plan have been required to have been made by the province and by an employer on his behalf to establish pensionable service in the importing plan equal to pensionable service in the exporting plan if he had been a contributor to the importing plan during his period of pensionable service under the exporting plan and had received the salary that he received, or is deemed to have received while a contributor to the exporting plan, or in the absence of a provision in the importing plan for contributions to be made by the province on such a basis; an amount equal to that calculated under clause (a);and

(c) in either case calculated interest on (a) and (b) at the stipulated rate.

6. The money that shall be transferred under this agreement is the lesser of the sums calculated under paragraphs 4 and 5 and the transfer shall be completed within a period of one year after the date of execution of the application for transfer, except that the period may be extended by agreement of the pension authorities involved in the transfer.

7. Where the money transferred is the sum calculated under paragraph 4, the teacher, for the purpose of eligibility for a pension from the importing plan, shall be given full credit in the importing plan for his service in the exporting plan but, for the purpose of calculation of the pension, shall, subject to paragraph 8 and 9, be given credit for pensionable service that is equal to

the product of his pensionable service in the exporting plan times the ratio of the sum transferred to the sum calculated under paragraph 5.

8. A teacher to whom paragraph 7 applies may elect to pay directly into the importing plan, in accordance with the terms of such plan for making such payments, the difference between the sum transferred under paragraph 6 and the sum required by the importing plan in respect of the teacher under paragraph 5, and where a teacher makes payment of such difference with interest thereon where applicable under the importing plan, the teacher shall, for the purpose of calculation of the pension, be given credit in the importing plan for all of his pensionable service in the exporting plan.

9. Where a teacher elects under paragraph 8 to make the payment referred to therein, he shall complete the payment before receiving a pension, failing which, in accordance with the requirements of the importing plan.

   (a) the amount of the pension shall be reduced, as determined by the actuary of the importing plan, to allow for the sum owing but unpaid; or

   (b) the teacher is entitled to a refund of the sum paid under his election plus interest, and his pension shall be calculated as if the election has not been made.

10. Where the money transferred is the sum calculated under paragraph 5, the teacher shall be given credit in the importing plan for pensionable service that is equal to his pensionable service in the exporting plan and, where a sum remains to the credit of the teacher in the exporting plan, it shall be dealt with by agreement between the teacher and the exporting plan.

11. Where a teacher transfers from one providence to another province and then to a third province, the money payable in the first transfer shall be transferred by the exporting plan to the importing plan as called for by this agreement, and such money, together with the money to be paid on the second transfer, shall be transferred by the then exporting plan to the then importing plan, and where a teacher makes more than two such transfer, the money that shall be transferred to the importing plan in each additional transfer shall be reckoned in accordance with the principles stated above.

12. Where,

   (a) under a provincial statute the contributions of a teacher to the exporting plan may not be refunded; and

   (b) the contributions are transferred under this agreement;and (c) the teacher subsequently applies for a refund of his contributions, the

refund shall be only that portion of his contributions that is applicable to his service in the province in which the importing plan operates, and the sum of money transferred under this agreement, plus interest thereon at the stipulated rate from the date of receipt by the importing plan of the money transferred, shall be returned to the exporting plan.

13. Notwithstanding paragraph 6, where a teacher has transferred under this agreement and subsequently transfers back to the original exporting plan, the sum of money that under this agreement shall be transferred back to such plan and that pertains to the service under such plan shall be the sum that was originally transferred out of such plan plus interest thereon at the stipulated rate from the date of receipt by the original importing plan of the money transferred...

* * * * * * * * * * * *

15. The parties from time to time to this agreement may, by an agreement in writing executed by each of the parties and appended to this agreement, vary the stipulated rate of interest insofar only as it affects any period beginning after December 31, 1978, and until such variation is agreed upon the rate of 8 percent per annum, or the variation last agreed upon, as the case may be applies.

16. Parties may be added to this agreement by the execution, by the pension authorities that are parties thereto and by the parties being added, of an addendum to this agreement, whereupon the pension authorities, including the parties being added, shall, from the effective date specified therein be bound by the terms of this agreement, save only as otherwise unanimously agreed in the addendum.

17. This agreement is subject to termination by any party to it upon one year's notice in writing to the other parties but the termination does not affect any then existing obligations of the terminating party as a contributor with respect to the reciprocal pension of any teacher on whose behalf money has been transferred or is in the process of being transferred under this agreement prior to the date of termination.

ENDNOTES

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